The Working Monarch

Thailand: Kingdom of Opportunity in the Region of the Future

Macroeconomic Overview: A few macroeconomic figures most simply tell the story of The Kingdom of Thailand's performance in recent years. Through the early to mid-80's, the economy grew steadily at about 5 per cent a year and then it took off in the late 80's, peaking in 1988 with GDP growth of more than 13 per cent, followed by 12 per cent growth in 1989, and 10 per cent in 1990. The economy has slowed down over the past few years to a more manageable level — with a projected growth rate of around 8 per cent through the end of the century. Conservative monetary policy has resulted in stable prices, with inflation under 5 per cent, where all the economic forecasts predict it with remain for the next few years.

Export Strength: Thailand's exports have grown exponentially since 1986, when the kingdom began a four-year run of annual growth exceeding 20 per cent. This has been the main driver of the economy and led to diversification in the industrial structure. Even amid global recession in 1990 and 1991, exports grew 14 and 23 per cent respectively. Last year, the figure was 16 per cent, and the first six months of this year show a remarkable 22.3 per cent growth in exports.

Significantly, the share of manufactured exports to total exports has been steadily increasing — up from 30 per cent in the late 70s to more than 70 per cent today. Even so, Thailand remains one of the few countries in the world which is a net exporter of food. Combined with the growing number of tourists visiting Thailand, it is this export strength which has prevented a critical imbalance in the current account as the country still imports a lot of capital and intermediate goods to fuel the manufacturing engine.

Importance of Trade: Trade now represents more than 70 per cent of Thailand's economy. Consistent government policy promoting free trade and competition, plus the strong entrepreneurial talents within the sector itself, have worked together to create an export structure of greater diversity in terms of products and marked than most of Thailand's neighbours. The domestic market is approaching 60 million, with per capita income of about US $2300. Indeed this is one of the most attractive features to investors setting up in the Kingdom of Thailand. And the continuous liberalization of laws governing tariffs and export quotas have increased this lure.

Foreign Investment Success: Thailand has become a favoured investment location for many foreign countries, and healthy capital inflows help maintain ledgers in the black. There is a surplus in international reserves of more than US $28 billion, equal to more than seven months of exports.

Thailand reduced its debt service ratio from over 21 per cent in 1985 to a current level of just 10 per cent by careful management of foreign debt, and transformed its financial position from deficit to surplus in this period.

Opportunities Created by Growth: The infrastructure necessary to support Thailand's remarkable growth, especially in Bangkok, has lagged behind in several areas.

The massive increase in industry has been board in terms of activities, but the deepening that will enable us to provide more of the parts, components, and capital goods to fuel the manufacturing engine is just beginning. As several neighbouring economies burst into action after years of near isolation, Thailand can no longer rely on being a cheap labour platform. It must begin to climb up the value added ladder and decrease its dependence on importing intermediate products. There are tremendous opportunities implicit in this process.

Infrastructure: The Challenge: More than US $38 billion has been earmarked for infrastructure improvement in the current development plan, with as much investment again coming from the private sector. In Bangkok, we are already seeing some relief with the opening of the second-stage expressway and other improvements in transportation, but much remains to be done. Almost two million telephone lines have come into service in the past few years, and several energy projects are keeping capacity ahead of consumption. Private participation in these kinds of projects continues to create major opportunities.

The road system through the country is being upgraded, and equity funds for credit extension to rural areas have been set up to mobilize capital there. Industrial estates are beginning to draw investors because of reasonable water, power, and labour costs.

Thailand's Eastern Seaboard: As a development model for Thailand's future, the government has focused on the country's Eastern Seaboard as a better alternative to Bangkok for doing business. This are represents what soon will be possible in Thailand. Several factors, including three deep seaports, Bangkok's Second International Airport, the Global Transpark, a high speed train, and a heavy aircraft maintenance center will provide support for increasing numbers of existing and planned industries on the Eastern Seaboard. The Board of Investment, or BOI, has opened a center there with all the capabilities of headquarters and more in serving investors.

Decentralizing and Deepening Industry: The government's broad economic policy to promote export-oriented industries and to decentralize production and create jobs and economic opportunity in rural areas is beginning to bear fruit. The most important investment trend in Thailand today is the flow of investment and new project to the provinces.

While the BOI has supported these basic goals for some time, in 1992 and 1993

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